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HIDE AND LEATHER SITUATION BRIGHTER IN 1964

by

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Marketing Economics Division, ERS

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## HIDE AND LEATHER SITUATION BRIGHTER IN 1964

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Hide prices in 1963 declined to their lowest level since the early 1930's. Average prices for heavy native steer hides, Chicago, fell from 15 cents a pound in 1962 to 11 cents a pound in 1963 (table 10). Cash prices for most other hides declined similarly while calf and kip prices fell by about 40 percent from their 1962 levels.

As hide prices continued their rapid and sizeable decline during 1963, hide buyers placed more emphasis on quality, and many hide dealers had difficulty moving poor quality hides at any price. This was especially true of firms marketing country-locker or butcher hides. Many packers and dealers reported throwing No. 3 hides into rendering tanks.

The drop in hide prices only slightly affected finished leather prices, and had almost no effect on leather footwear prices. The index of hide and skin prices (1957-59 base) fell 21 points--from 106 in 1962 to 85 in 1963--while the finished leather price index fell only 6 points during the corresponding period (table 10). Indexes of leather footwear prices remained almost constant at 108 in 1962 and 1963.

Imbalance in Supply-Demand

The dominant factor contributing to depressed hide prices in 1963 was the 4 percent increase in cattle slaughter while leather demand for use in shoes remained almost unchanged. Further large increases in hide supplies are anticipated for 1964. Cattle slaughter in 1964 is expected to be the largest ever, about 3 percent over the 28.1 million head slaughtered in 1963.

Most of this imbalance in the supply-demand situation which began in 1952 results from the increasing per capita consumption of meat, while per capita consumption of leather shoes--which uses over 80 percent of finished leather supplies--has been declining. During the 12-year period (1952-1963) per capita consumption of meat increased about 33 percent, while leather shoe production fell from 3.4 pairs per capita in 1952 to less than 3.2 in 1963. During this period when hide supplies were increasing and domestic consumption did not keep pace, the United States was able to export most of its excess hide supplies.

Hide Exports  
up for 1963

Early in 1963 the outlook for a strong world demand for U. S. hides looked promising, although a known buildup of U. S. and European hide inventories occurred at the end of 1962. Shipments from Argentina, the major exporter,

were expected to be sharply curtailed in 1963 as herd rebuilding got under way. But the decline in Argentine hide exports did not materialize. As a result, U. S. hide exports were below expectations the first 6 months of 1963, but picked up considerably in the latter half of the year. During November 1963, U. S. cattle hide exports totaled 843,000 pieces which brought the 11-month total for hide exports up to 7,311,000. This was an increase of 10 percent over the 6,587,000 hides exported during the first 11 months of 1962. Cattle hide exports for 1963 are estimated at about 8 million pieces--a new high.

Consumption of Leather  
May be Up

An upturn in consumption of hides during 1964 appears likely. Estimates of leather shoe production are 621 million pairs. This is an increase of 3 to 4 percent over the 598 million pairs produced in 1963. Presently, shoe inventories are below normal levels as a result of larger than expected Christmas sales. If these inventories are rebuilt, it should provide more impetus for a strong leather demand early in 1964. Another bright spot in the leather situation is the recent upturn in exports of finished leather. Present estimates for the first 11 months indicate that exports of finished upper leather have increased from 10.8 million square feet in 1962 to 16.4 million square feet in 1963. Assuming the United States can continue to expand this market, the hide and

Table 10.--Selected hide and leather statistics for 1962 and 1963

Item	: 1962	: 1963	: Percent change
Cattle slaughter total (million)	: 27.0	: 28.1	: +4.1
Hide exports (1,000 pieces)	: 6,587	: <u>1/8,000</u>	: +18.
Hide prices (Chicago) Cents per lb.	:	:	:
Light native cows	: 18.5	: 12.8	: -31
Country hides-extremes	: 13.5	: 9.0	: -33
Heavy native steers	: 15.1	: 11.1	: -27
Calfskins (under 9½ lbs.)	: 57.6	: 33.0	: -43
Kips	: 47.8	: 30.2	: -37
Hide indexes 1957-59=100	:	:	:
Hide prices	: 106.2	: <u>2/84.7</u>	: -20
Leather prices	: 108.5	: <u>2/102.1</u>	: -6
Leather footwear prices	: 108.7	: <u>2/108.0</u>	: 0
Leather shoe production (million pairs)	: 598	: <u>3/598</u>	: 0
Per capita consumption	: 3.20	: <u>3/3.16</u>	: -1.2

1/ Estimated.

2/ 11-month average.

3/ Tanners' Council estimates.

leather industry could work itself out of the current imbalance in supply and demand. U. S. cattle hide exports may be around 8 million pieces in the coming year.

Hide Prices Not  
Likely to Change

Although consumption of hides and leather may be larger in 1964 than in 1963, hide prices may not improve appreciably. Cattle slaughter will be up, present hide inventories are larger than normal, and leather shoe production will continue to encounter strong competition from synthetic materials, sneakers, open types of shoes and shoe imports.



